

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 FPC-01 H-02 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15 OES-06
SP-02 SS-15 STR-04 TRSE-00 ACDA-10 /115 R

DRAFTED BY EB/ORF/FSE:DHICKEY:LV
APPROVED BY EB/ORF/FSE:LRRAICHT
FEA:SBERWAGER
ERDA:SCAVROS
EUR/RPE:ASENS
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FM SECSTATE WASHDC
TO USMISSION OECD PARIS PRIORITY

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E.O. 11652: N/A

TAGS: ENRG, IEA

SUBJECT: ENERGY: IEA/SLT MEETING OF EXPERTS ON DISTRICT
HEATING AND LOCAL ENERGY PLANNING, MARCH 24-25

REF: HICKEY/HUBBARD TELCON

1) WE ARE UNABLE TO SEND EXPERT TO MEETING ON DISTRICT
HEATING AND LOCAL ENERGY PLANNING AND SUGGEST TOM HUBBARD
REPRESENT UNITED STATES. MISSION CAN DRAW UPON FOLLOWING
FOR USE IN MEETING AS APPROPRIATE.

2) ATTENDANCE OF EXPERTS ON DISTRICT HEATING AND THE
COMBINED PRODUCTION OF HEAT AND POWER WAS NOT POSSIBLE
DUE TO ADMINISTRATIVE DIFFICULTIES IN RECEIVING NOTICE
OF THE MEETING. THE UNITED STATES HAS CONTINUING INTER-
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EST IN BOTH SUBJECTS AND WILL CERTAINLY CONSIDER ACTIVE
PARTICIPATION IN IEA PROJECTS AND ATTEND FUTURE MEETINGS.

3) IN THE US CONTEXT, DISTRICT HEATING AND COGENERATION
OF HEAT AND POWER ARE HANDLED DIFFERENTLY. GENERALLY,
DISTRICT HEATING PROJECTS ARE LARGE SCALE AND CENTRAL-
IZED WHILE COGENERATION INDUSTRY IS USUALLY SMALL

SCALE AND DECENTRALIZED. USE OF BOTH HAS DECLINED SUBSTANTIALLY OVER THE LAST FEW DECADES.

4) DISTRICT HEATING (ALL STEAM) IS AT PRESENT LARGELY CONFINED TO HIGH DENSITY BUSINESS DISTRICTS. DISTRICT STEAM HEAT IS PROVIDED TO COMMERCIAL ESTABLISHMENTS, OFFICE BUILDINGS, AND FEDERAL GOVERNMENT BUILDINGS. ALMOST NO DISTRICT STEAM HEAT IS PROVIDED TO RESIDENCES. DISTRICT HEATING WAS USED MORE EXTENSIVELY IN THE EARLY 1900'S BUT NOW PROVIDES LESS THAN .1 PERCENT OF HEAT IN THE RESIDENTIAL/COMMERCIAL SECTOR.

5) CONSTRAINTS OR IMPEDIMENTS TO A WIDER APPLICATION OF DISTRICT HEATING ARE INSTITUTIONAL, REGULATORY, AND FINANCIAL. UTILITIES PREFER TO SELL ELECTRICITY AND DON'T WANT TO BE BOTHERED WITH KEEPING SEPARATE ACCOUNTS FOR DISTRICT HEATING. CONSUMERS AND UTILITIES ARE NOT WILLING TO BEAR THE HIGH COST OF INSTALLING SUCH A SYSTEM AND THE NECESSARY RETROFITTING REQUIRED FOR EXISTING RESIDENCES OR BUILDINGS. EXISTING DISTRICT HEATING SYSTEMS HAVE

NOT BEEN MAINTAINED AND LITTLE INVESTMENT HAS BEEN MADE FOR NEW INFRASTRUCTURE. LONG-TERM CONTRACTS ARE NECESSARY TO MAKE THE SYSTEM VISIBLE AND INCENTIVES ARE REQUIRED TO ENCOURAGE HOOKUPS TO THE SYSTEM.

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6) AT PRESENT NO INCENTIVES ARE PROVIDED FOR DISTRICT HEATING THOUGH THE UNITED STATES IS ENCOURAGING DEMONSTRATION PROJECTS. SWEDEN AND THE US ARE COOPERATING ON A JOINT PROJECT IN MINNESOTA TO PROVIDE DISTRICT HEATING TO RESIDENCES AND COMMERCIAL ESTABLISHMENTS.

7) THE FEDERAL GOVERNMENT IS CONSIDERING, BUT HAS NOT ADOPTED, A PROGRAM TO UTILIZE EXISTING POWER PLANTS THAT ARE LOCATED WITHIN 10 TO 20 MILES FROM CITY BOUNDARIES TO PROVIDE SPACE HEATING AND COOLING, IN ADDITION TO ELECTRICITY PROVIDED NOW BY THESE PLANTS, TO HARD PRESSED URBAN AREAS.

8) CO-GENERATION OF HEAT AND POWER: IN 1973, INDUSTRY GENERATED ABOUT 15 PERCENT OF THE ELECTRICITY IT USED (ABOUT 5 PERCENT OF TOTAL ELECTRICITY USED BY THE US). THIS PERCENTAGE HAS DECLINED STEADILY FROM THE 1930'S WHEN INDUSTRY GENERATED ABOUT 30 PERCENT

OF ITS ELECTRICITY. MOST OF THIS COGENERATION TAKES PLACE IN CHEMICAL, PAPER AND PULP, AND PETROLEUM INDUSTRIES.

9) CONSTRAINTS OR IMPEDIMENTS TO A WIDER APPLICATION OF COGENERATION OF HEAT AND POWER IN INDUSTRIES ARE INSTITUTIONAL, REGULATORY, AND ECONOMIC. INDUSTRIES FIND MAINTENANCE OF EQUIPMENT, TRAINING OF SKILLED WORKERS, ETC. FOR GENERATION OF ELECTRICITY MORE TROUBLESOME AND EXPENSIVE THAN BUYING SUCH ELECTRICITY DIRECTLY FROM UTILITIES. UTILITIES ARE NOT INTERESTED IN PURCHASING ELECTRICITY FROM INDUSTRIES AS THEIR ALLOWABLE PROFITS ARE RELATED TO INVESTMENT CAPITAL RATHER THAN SALES. BOTH UTILITIES AND INDUSTRIES ARE SOMEWHAT CONCERNED ABOUT STATE REGULATIONS CONCERNING GENERATION AND SALE OF ELECTRICITY.

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10) TO DATE THE FEDERAL GOVERNMENT PROVIDES NO SPECIFIC INCENTIVES TO INDUSTRIES OR UTILITIES FOR THE COGENERATION OF HEAT AND POWER. THERE HAVE BEEN FEW NEW COGENERATION PLANTS BUILT SINCE THE 1950'S THOUGH A COOPERATIVE INITIATIVE IS NOW UNDERWAY IN SOUTHERN CALIFORNIA WHICH MIGHT RESULT IN A NEW PLANT.

11) THE FUTURE OUTLOOK IS SOMEWHAT MORE OPTIMISTIC. THE INCREASE IN ENERGY PRICES OVER THE LAST FOUR YEARS HAVE MADE COGENERATION MORE ATTRACTIVE. THE FEDERAL GOVERNMENT IS CONSIDERING, BUT HAS NOT YET ADOPTED, MEASURES TO ENCOURAGE COGENERATION BY A) STREAMLINING REGULATIONS, B) IMPLEMENTING FAVORABLE TARIFF RATE STRUCTURES, C) CHANGING FEDERAL LEGISLATION AND ADMINISTRATIVE POLICIES, D) WORKING WITH STATE REGULATORY BODIES, E) PROVIDE FINANCIAL ASSISTANCE OR INCENTIVES.

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Executive Order: N/A
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